

Goodlatte And Boucher Reintroduce Class Action Reform Legislation (February 2, 2005)

(Washington, D.C.) - At a press conference today, Congressmen Bob Goodlatte and Rick Boucher reintroduced legislation to curb the widespread abuse of frivolous class action lawsuits, while preserving the rights of citizens to bring such actions. The Class Action Fairness Act is a bipartisan, sensible piece of legislation that will clarify the rights of consumers and restore confidence in America's civil justice system. Goodlatte and Boucher were joined at today's press conference by other Members of Congress as well as industry representatives.

The Class Action Fairness Act will streamline the ability of the courts to deal with class action lawsuits by making it easier for those involved in the case to transfer suits from the state courts to the federal courts. This legislation stems from the abuse of what was meant to be a procedural device of last resort where people with identical claims, such as train crash victims, could bring their case to court.

"This important legislation will correct a serious flaw in our federal jurisdiction statutes. At present, those statutes forbid federal courts from hearing most interstate class actions - the lawsuits that involve more money and touch more Americans than virtually any other litigation pending in the American legal system," Congressman Goodlatte said. "Federal courts were actually designed by the Framers of the Constitution to handle large cases that crossed state boundaries. This measure puts class action suits in the federal jurisdiction where they belong and also contains strengthen protections for consumers."

The House last year passed identical legislation by a wide margin, but the legislation was not taken up by the Senate.

"The Class Action Fairness Act is a major step towards making the legal system fairer and more efficient for all parties involved in class action litigation. The bill is both pro-consumer and pro-plaintiff. Its enactment would make tremendous strides towards solving many of the widely acknowledged problems that currently plague America's class action lawsuit system," Congressman Boucher said.

In recent years the courts have been flooded with thousands of frivolous lawsuits. The number of state court class actions is growing every day, with state courts continuing to approve settlements that give all of the money to lawyers. This ultimately hurts consumers.

A perfect example of the system gone awry is a class action suit against Cheerios over a food additive. With no evidence of injury to any consumers, lawyers were paid nearly \$2 million in fees, or approximately \$2,000 per hour. Meanwhile, consumers in the lawsuit received coupons for a free box of cereal.

The Class Action Fairness Act corrects these types of problems by allowing larger interstate class actions to be heard in federal court. At present, current law forbids federal courts from hearing interstate class action lawsuits. Federal courts

may only hear a class action lawsuit if every plaintiff is a citizen of a different state than every defendant, and if every plaintiff is seeking damages in excess of \$75,000. Under this rule, it is usually impossible for national class actions to be heard in federal court because such suits involve plaintiff class members from every state.

To move the largest and most complex interstate class actions to federal court, the Class Action Fairness Act would establish federal jurisdiction in multi-state cases involving citizens from different states, as long as the aggregate amount at issue exceeds \$5 million. At the same time, the bill contains exceptions ensuring that class actions involving purely local or intrastate matters will remain in state court.

The Class Action Fairness Act protects the consumer and makes needed reforms such as:

- . Allowing large, multi-state class action suits to be moved to federal court to ease the strain on overburdened state courts
- . Ensuring that uniform standards are applied in interstate class action litigation
- . Eliminating discrimination among members of a class in dispensing awards for damages
- . Assuring that plaintiffs who have won their suits do not suffer a net loss because legal costs, such as their own attorney fees, are billed back to the class members.

This bill will be referred to the House Judiciary Committee on which Congressmen Goodlatte and Boucher both serve.